GOVERNMENT OF INDIA
LABOUR AND EMPLOYMENT
LOK SABHA

STARRED QUESTION NO:162
ANSWERED ON:28.11.2016
Exchange Trade Fund
Mahadik Shri Dhananjay Bhimrao;Raghavan Shri M. K.

Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:

(a)the corpus of the Employees" Provident Fund Organisation (EPFO) alongwith funds invested in the Exchange Trade Fund (ETF), the returns accrued therefrom along with the precautions being taken to protect the interests of the employees in view of volatile nature of the stock market;
(b)whether EPFO proposes to step up investment in the markets and if so, the details thereof;
(c)whether the decision of EPFO to invest in capital market has been vehemently opposed by various stakeholders and if so, the reaction of the Government thereto;
(d)the extent to which the subscribers are likely to be benefited as a result of investment in the capital market; and
(e)whether the dividends accrued through such investment are proposed to be credited into the accounts of the beneficiaries and if so, the details thereof?

Answer

MINISTER OF STATE (IC) FOR LABOUR AND EMPLOYMENT
(SHRI BANDARU DATTATREYA)

(a) to (e): A statement is laid on the Table of the House.
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STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 162 TO BE ANSWERED ON 28.11.2016 BY SHRI M.K. RAGHAVAN AND SHRI DHANANJAY MAHADIK REGARDING EXCHANGE TRADE FUND.

(a) The total corpus of Employees' Provident Fund Organisation (EPFO) was Rs. 7.49 Lakh crore as on 31st March, 2016. The total amount invested by EPFO in ETFs is Rs. 9,723 crores as on 31st October, 2016 and the absolute return was 9.17% as on 31.10.2016. As a precautionary measure, EPFO is investing only in Nifty and Sensex ETF.

(b) Investment in Exchange Traded Funds (ETFs) by Employees' Provident Fund Organisation (EPFO) has been decided to be increased from the existing level of 5 per cent to 10 per cent within the scope of investment pattern notified by the Government, Ministry of Finance.

(c) Employees' representatives of the Central Board of Trustees (CBT) opposed the move to invest in capital market.

(d) The returns from investment made in ETF are generally more than the returns from other investments. Therefore, the subscribers are benefitted due to higher returns.

(e) The dividend yield becomes part of the net asset value of the ETF and will, therefore, be added to the account of EPF of the employees wherever applicable.

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